

Message Text

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SUBJECT: COLLABORATIVE VENTURE BETWEEN ESSO EASTERN
AND GECAMINES

REF: LUBUMBASHI 356

1. SUMMARY: ESSO EASTERN REPRESENTATIVES SPENT WEEK OCTOBER 21-28 IN LUBUMBASHI DISCUSSING PROPOSED URANIUM PROJECT WITH GECAMINES. THEY REPORT TALKS WENT EXTREMELY WELL AND TENTATIVE AGREEMENT REACHED ON ALL MAJOR POINTS OF PROPOSED JOINT PROJECT. GECAMINES WILL SEND PROJECT PROPOSAL TO DIRECTOR GENERAL UMBA IN WASHINGTON (FIRST WEEK NOVEMBER) FOR HIS FINAL APPROVAL. ESSO READY TO IMMEDIATELY DESPATCH CONTRACT NEGOTIATING TEAM TO LUBUMBASHI IF UMBA AGREES. END SUMMARY.

2. T.D. CAPSHAW (MANAGER, NATURAL RESOURCES PLANNING DIVISION,) AND IBEKE LOMENA OF ESSO EASTERN VISITED LUBUMBASHI OCTOBER 21-28, 1974 TO CONTINUE ESSO EASTERN-GEAMINES DISCUSSION OF PROPOSED JOINT VENTURE FOR EXPLOITATION OF URANIUM IN SHABA REGION (REFTEL.

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3. CAPSHAW'S VISIT INVOLVED TWO ASPECTS OF DISCUSSIONS; CONFIRMATION OF POINTS WHERE DISCUSSANTS APPEARED TO BE IN AGREEMENT AND TWO MAJOR POINTS REQUIREING GECAMINES AGREEMENT. ALL POINTS WERE CONFIRMED OR AGREED UPON, ACCORDING TO CAPSHAW, FOLLOWING INITIAL DISCUSSION WITH UMBA ON OCTOBER 23 (PRIOR TO HIS DEPARTURE FOR LIMA CIPEC MEETING) AND FOLLOW-ON TALKS WITH SENIOR GECAMINES OFFICIALS.

4. GECAMINES WILL FORWARD PROPOSAL AS NOW STANDS TO UMBA IN WASHINGTON. (UMBA WILL TRAVEL TO WASHINGTON FOLLOWING CIPEC MEETING FOR TALKS WITH IBRD. UMBA WILL PROBABLY CALL AF DEPUTY ASSISTANT BLAKE FOR APPOINTMENT.) IF UMBA APPROVES PACKAGE, ESSO WILL CONSULT WITH HIM IN WASHINGTON AND ARRANGE TO SEND CONTRACT NEGOTIATING TEAM TO LUBUMBASHI. CAPSHAW EXPRESSED HOPE NEGOTIATING TEAM COULD ARRIVE BY MID-NOVEMBER AND CONTRACT WOULD BE SIGNED BY END OF YEAR. FOLLOWING CONTRACT SIGNING ESSO WILL SEND TECHNICAL TEAM IN EARLY 1975 TO IMPLEMENT FIRST STGE OF AGREEMENT.

5. FOLLOWING ELEMENTS OF PROPOSAL HAS BEEN AGREED UPON IN PREVIOUS COMMUNICATIONS AND CONFIRMED DURING THIS VISIT:

A. JOINT VENTURE COMPANY TO BE CREATED TO MINE AND PROCESS URANIUM (TO CONCENTRATE STATE) PLUS COPPER AND COBALT "BY-PRODUCTS." ESSO WILL CONTRIBUTE 60 PERCENT OF INITIAL CAPITAL, GECAMINES 40 PERCENT, STOCK TO BE SPLIT 50-50. ADDITIONAL CAPITAL INVESTMENT WILL BE ON FIFTY-FIFTY BASIS AS LONG AS IT COMES FROM RETAINED DIVIDENDS. (LATTER WAS GECAMINES PROPOSAL MADE DURING LAST WEEK'S DISCUSSIONS.)

B. ESSO COMMITS ITSELF TO EXPENDITURE OF MINIMUM US 1.25 MILLION OF OWN FUNDS FOR INITIAL EXPLORATION OVER FIRST THREE YEARS.

6. FOLLOWING NEW POINTS WERE RAISED, DISCUSSED, LIMITED OFFICIAL USE

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AND AGREED UPON DURING VISIT:

A. ESSO WILL GET MANAGEMENT CONTRACT FOR EXPLORATION STAGE. ESSO ALSO WANTS SIMILAR CONTRACT FOR EXPLOITATION STAGE. GECAMINES AGREED TO DISCUSS THIS LATTER.

B. GECAMINES AGREED TO INCLUDE TO VENTURE AGREEMENT

PROVISION FOR A "SOLE RISK" PROVISION. THIS WILL PROVIDE FOR RIGHT OF EACH PARTNER TO PROCEED, ON ITS OWN EXPENSE AND OWN RISK, WITH ANY SPECIFIC PROJECT WHICH OTHER PARTNER RELUCTANT TO GO ALONG WITH. PROFITS FROM SUCH AN OPERATION, IF THEY ARISE, GO COMPLETELY TO INITIATING PARTNER UP TO A POINT WHERE THE INVESTMENT PLUS A SPECIFIED PROFIT ARE OBTAINED. "SOLE RISK" PROJECT THEN BECOMES JOINT OPERATION OF BOTH PARTNER.

7. CAPSHAW PROVIDED GENERAL COMMENTS ABOUT SCOPE OF PROJECT AS VIEWED BY ESSO EASTERN. INVESTMENT INVOLVED WILL BE IN NEIGHBORHOOD OF US\$50 MILLION. ANNUAL PRODUCTION (IF EXPLORATION JUSTIFIES INVESTMENT IN MINE AND PLANT) OF THREE MILLION POUNDS OF YELLOW CAKE (URANIUM CONCENTRATE.) MARKETING WOULD BE HANDLED BY JOINT COMPANY BUT CAPSHW COMMENTED THAT EXXON NUCLEAR POWER AFFILIATE WOULD ALMOST CERTAINLY BE HAPPY TO TAKE UP TOTAL PRODUCTION.

8. CAPSHAW ALSO DISCUSSED WITH CONSULATE QUESTION OF COPPER AND COBALT BY-PRODUCTS OF URANIUM MINING AND PROCESSING. HE REFERRED TO AN APPARENT GECAMINES AND ZAIRIAN GOVERNMENT FEAR THAT COPPER AND COBALT ARE IN FACT PRIMARY OBJECTS OF ESSO'S APPROACH. HE REVIEWED FOR US GENERAL LINES OF GECAMINES' OFFER IN REGARD THESE MINERALS; THAT THE JOINT ESSO-GECAMINES COMPANY WOULD BE PERMITTED TO MINE AND PROCESS COPPER AND COBALT THROUGH CONCENTRATE STAGE. CONCENTRATES WOULD THEN BE PROCESSED TO FINAL PRODUCT AND MARKETING BY GECAMINES. AMOUNT WOULD BE "UP TO" 50,000 TONS OF COPPER WEIGHT PER YEAR THROUGH 1985 AND 100,000 TONS ANNUALLY THEREAFTER. CAPSHWA SAID NO AGREEMENT HAD LIMITED OFFICIAL USE

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BEEN REACHED ON THIS ITEM AND THAT ESSO WAS PREPARED TO ENTER INTO THE INITIAL AGREEMENT ON URANIUM WITHOUT IT. COPPER AND COBALT QUESTIONS WOULD BE LEFT FOR LATTER DISCUSSION.

9. CAPSHAW EXPRESSED SATISFACTION WITH PROGRESS OF TALKS AND CONFIDENCE THAT AGEEMENT WILL BE CONSUMATED. HE STATED THAT BASIC ISSUES ARE RESOLVED AND OUTSTANDING QUESTIONS MINOR. MARKS

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